

CITY COUNCIL REPORT



MEETING DATE: 10/25/2005 ITEM No. 6 GOAL: Transportation

SUBJECT

Authorize a contract modification to the City's photo enforcement contract with Redflex Traffic Systems, Inc., and authorize submittal of a Right of Way Use Permit to the Arizona Department of Transportation (ADOT) for a Loop 101 Photo Enforcement Demonstration Program.

REQUEST

1. Authorize a modification to Contract #2002-072-COS with Redflex Traffic Systems, Inc., to allow for activities associated with the 101 demonstration program, including contract extension through June 30, 2007;
2. Authorize City staff to submit a Right of Way Use Permit to ADOT for a demonstration photo enforcement program on the Loop 101, as outlined in this report and in a Council Work Study on October 11, 2005.

BACKGROUND

The City's Police Department has managed the "Focus On Safety" photo enforcement program since 1997. The current contract was signed on July 2, 2002 for an initial term of three years with two optional one-year extensions; the first extension, through July 2006, was approved in June 2005. The contract is cooperatively managed by the Focus On Safety Planning Committee, which meets monthly and consists of members from the Police Department, Court, Prosecutor's Office, Traffic Engineering and CAPA. Statistics indicate the City's photo enforcement program is an effective safety tool. Before its introduction in 1997, the collision rate in Scottsdale had increased 71% in four years. When photo radar became operational, that trend reversed. Between 1996 and 2004, the population of Scottsdale increased 27% while collisions increased 3%. Collision fatalities in 1996 and 2004 remained the same.

On June 21, 2005, City Council approved a one-year extension of the Redflex contract for the period through June 2006, excluding services for the proposed Loop 101 photo enforcement program. The contract terms allow the vendor to request price increases annually. With the June 2005 extension, Redflex received a percentage increase equal to the United States "Consumer Price Index" at 3.3%, to be applied to the unit pricing in the Contract. This pricing is extended to the attached contract modification for implementation of the Loop 101 demonstration program, effective through June 30, 2007.

Action Taken _____

The specific goals of the Loop 101 photo enforcement demonstration program are to test and evaluate the effectiveness of photo enforcement technology on the urban freeway system in reducing the number of vehicles that exceed the posted speed limit by 11 mph or more, and thereby reduce the number and severity of vehicle collisions.

ANALYSIS & ASSESSMENT

On September 15, 2005, City staff provided a white paper to City Council summarizing the elements of the Loop 101 photo enforcement demonstration program proposal, as well as related research. This material was also included in the agenda packet for a Work Study Session on October 11, 2005, at which the potential demonstration program was reviewed and discussed. No public comment was received on this topic at that meeting.

During the Council discussion, the following information was requested of staff:

- Identification of a City "breakeven" point for the demonstration program, including a summary of assumptions regarding program fixed and variable costs;
- Information on the financial stability of Redflex Traffic Systems, Inc.;
- Additional information regarding indemnification and insurance provisions of the Right of Way Use Permit and Redflex contract amendment.

Additional clarification is also necessary regarding last year's budget approval of an appropriation for up to \$10 million in FY 05-06 to allow the City to take in citation revenue from proposed Loop 101 photo enforcement, and use citation revenues to cover program expenditures. No City tax revenues are to be used to subsidize the \$10 million appropriation; this appropriation is directly related to possible citation revenue from violators, and no program revenue will exist without citations.

Overview of demonstration program/phasing

Once the Right of Way Use Permit is issued, detection system equipment will be installed and tested. Equipment installation will be completed approximately 90 days from the date of the issuance of the permit by ADOT. The project will proceed as described below, and cameras will be turned on using a staggered schedule:

The project will begin with a 45-day education campaign designed to alert the public that photo enforcement will be implemented on the Loop 101. The campaign will begin 30 days prior to the anticipated completion of the equipment installation.

The next 30-day period will consist of warning notices mailed to the owners of violating vehicles. To avoid confusion and unnecessary expense, the warning notices will not contain driver photos or vehicle license plates and will be significantly different from actual citations currently in use. Vehicle owners will be advised of the potential fines if future violations are observed.

At the end of the warning phase, actual enforcement will begin. The City has the ability to terminate the demonstration program at any time throughout this process for convenience, and staff will continually monitor demonstration program activities and costs

At the end of this demonstration program, an analysis of the effectiveness of the demonstration program will be completed, with the assistance of a Technical Advisory Committee. Data will be gathered on Loop 101 traffic volumes, number of speeders, and crashes. A written report and recommendation document will be prepared and submitted by the Technical Advisory Committee, and forwarded on to the Transportation Commission, City Council and other agencies as appropriate.

Up to six detection systems will be installed covering all lanes in both directions over the course of the entire 7.8-mile segment of the Loop 101 within the boundaries of the City of Scottsdale. All six systems will be installed at once to minimize construction impact, however, the cameras will be brought on-line using a staggered schedule to allow the program to make adjustments as necessary. The City Court will phase-in contract worker hiring and operational expenditures for the adjudication of photo enforcement violations, based upon the volume of citations issued and workload indicators from the 30 day warning notice phase. Court and other temporary staffing established for the demonstration program will need to be phased out, but would be necessary for no more than 30 to 60 days from completion of the demonstration.

Information Requested by Council

Breakeven point. City Court staff analyzed assumptions regarding the initial fixed and variable costs of the program and identified the number of citations at which the City would "break even". Activities over the first 75 days of the program, during the public awareness and warning period, represent the City's total estimated costs before citations of \$643,356. There is an estimated positive cash flow of \$192,715 beginning with the first month of actual citations. The net demonstration breakeven point for the City occurs after four months of citations (including reimbursement of the City's fixed costs).

Cost elements include:

Public awareness campaign, including signs	\$136,000 (variable)
Warning notices, estimated	\$202,800 (variable)
Monthly fee for equipment installation/operation	\$ 16,566 (fixed)
Initial administrative cost (PD, Court, Atty)	\$287,990 (fixed/variable)
Total	\$643,356

Redflex financial stability. Financial Services staff reviewed the financial stability of Redflex Traffic Systems, Inc. Redflex Traffic Systems Inc., (a US corporation and wholly owned subsidiary of Redflex Holdings Ltd) is the largest digital enforcement outsourcing operation globally with 64 contracts in the United States. The company's current ratio (assets/current debt) and debt to equity ratio are positive; Redflex experienced negative cash flows for 2003/2004. Staff concluded that: Redflex is a growing company with distinct competitive advantages in the US for the traffic systems business; Redflex will need to start to make annual profits and ensure that cash flows from operations continue to be positive in order to sustain long-term

viability. In addition, corporate management will need to continue to evaluate each subsidiary holding and other market niches to ensure that they remain competitive and profitable in all areas.

Indemnification/insurance provisions. The Right of Way Use Permit and contract modification are attached. The contract modification requires Redflex to indemnify, defend and hold the City harmless for program activities, corresponding to the State's indemnification requirement. The contractor will augment their existing insurance coverage of \$7 million per occurrence to provide a total of \$20 million per occurrence.

RESOURCE IMPACTS

Available funding.

Enforcement and adjudication activities for the Loop 101 demonstration program have been designed to be self funding and revenue neutral, consistent with the City's arterial Focus On Safety photo enforcement program. During last year's budget process, an appropriation of up to \$10 million for this program was authorized for FY 05-06, contingent upon citation revenue. Without citation revenue, there is no funding. Installation of equipment needed for this program, estimated at approximately \$840,000, is the responsibility of the contractor, Redflex.

Future budget implications.

The Council will have an opportunity to review this program during the budget process for FY 06-07.

Staffing, workload impact.

Workload impacts will be addressed through existing staff resources, and temporary contract and consulting services authorized during the FY 05-6 budget process. Use of temporary contracts and consultants will allow the city to phase out or reduce its costs as needed.

**OPTIONS & STAFF
RECOMMENDATION**

Alternative:

Do not authorize City staff to begin implementation of a demonstration photo enforcement program on the Loop 101, and do not authorize the contract modification and Right of Way Use Permit submittal.

Recommended Approach:

Authorize the implementation of a photo enforcement demonstration program, including the contract modification and Right of Way Use Permit.

Proposed Next Steps:

Submit a Right of Way Use Permit to ADOT, implement a public awareness/education program, and begin the steps to implement photo enforcement on the Loop 101.

RESPONSIBLE DEPT(S)


Police, Court, City Attorney, Transportation, CAPA, City Manager/Intergovernmental, Financial Services

(Continued)


STAFF CONTACT(S)

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APPROVED BY



Alan G. Rodbell, Chief of Police
10/20/05
Date



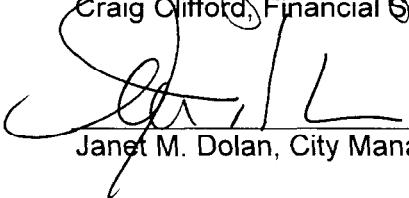
Pat Dodds, Public Affairs Officer
10/19/05
Date



Mary O'Connor, Transportation General Manager
10/19/05
Date



Craig Clifford, Financial Services General Manager
10/20/05
Date



Janet M. Dolan, City Manager
20 October 2005
Date

ATTACHMENTS

1. City Of Scottsdale Contract #2002-072-COS - Photo Enforcement Program Contract Modification
2. ADOT Right of Way Use Permit



Deborah Robberson
Acting City Attorney

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MEMORANDUM

TO: Honorable Mayor and Council

THRU: Donna Bronski, Deputy City Attorney

FROM: Luis Santaella, Assistant City Attorney
Mary O'Connor, Transportation General Manager

RE: Attachment 1: Photo Radar Enforcement Contract Modification in Support
of Demonstration Photo Enforcement Program on the Loop 101

DATE: October 19, 2005

This memo is to inform you that the proposed contract modification in support of the Demonstration Photo Enforcement Program on the Loop 101 has not been finalized in time to be included in your packet for this item. Legal review by the parties is underway and staff will get the final version to the Council so that you have adequate time to review the contract modification before the October 25, 2005 Council meeting. We regret any inconvenience this may cause.

Permit Application

ARIZONA DEPARTMENT OF TRANSPORTATION

2140 West Hilton Avenue
Phoenix, Arizona 85009
602-712-7521

APPLICATION FOR PERMIT TO USE STATE HIGHWAY RIGHT OF WAY (PRINT OR TYPE)

Application is hereby made to enter in upon and use a portion of the State Highway.

Name of Encroachment Owner City of Scottsdale

Address of Owner 7447 East Indian School Road

City Scottsdale State Arizona Zip 85251

Signature of Owner _____ Phone 480-312-7651

Name of Applicant Paul S. Porell, P.E. Legal Relationship to Owner Traffic Eng. Dir.

Mailing Address 7447 East Indian School Road

City Scottsdale State Arizona Zip 85251

Phone 480-312-7651

Signature of Applicant _____

(Applicant and Owner are responsible for conditions on permit)

City (in or near) Scottsdale PROJECT NO. _____

Highway Route No. SR101L Approximately _____ Feet of Milepost No. 34.51 to 42.35

Purpose Installation and operation of Photo Enforcement Demonstration Equipment, consisting of in pavements loops and Piazo detectors, roadside poles with cameras and flash units and ground mounted cabinet to hold electronic units. Power will be supplied from City of Scottsdale traffic signal controller cabinets at interchanges. All roadside equipment will be located outside of the clear zone or installed behind existing barriers.

FOR DEPARTMENT USE ONLY

THIS APPLICATION is approved with the following directions, requirements and specifications indicated on the back of this form. WITH THE ACCEPTANCE OF THIS PERMIT, THE PERMITTEE AGREES TO ALL THE CONDITIONS AS DESCRIBED HEREIN. NO WORK WILL BE ALLOWED TO TAKE PLACE INSIDE THE RIGHT OF WAY WITHOUT A VALID PERMIT ON SITE.

Date_____

SUPERVISOR

PERMITS

PERMIT AND LICENSE

Permit No._____

A permit and license is hereby issued to the foregoing licensee for the purpose contained in the application and upon the expressed condition that every agreement and covenant therein contained is faithfully performed, and said work to be performed in accordance with final approval plans and specifications. Construction is authorized only for the period indicated below.

Dated_____

**ARIZONA DEPARTMENT OF
TRANSPORTATION**

Construction to be completed by:

By_____

Date

Authorized Signature

FOR AND IN CONSIDERATION of the granting of a permit or license for the purpose set forth herein the Licensee hereby agrees, covenants, and binds said Licensee as follows, to-wit:

1. The State assumes no financial obligation or liability under this Permit in association with the Project work requested by the *City* and provided herein. The *City* assumes full responsibility for the design, plans and specifications, reports, the engineering in connection therewith, the construction of the improvements contemplated, cost over-runs and construction claims. The *City* shall require its contractors to name the State as an additional insured in the contractor's insurance policies. The *City* shall also require its contractors to name the State as an additional indemnitee in the City contracts with its contractors. It is understood and agreed that any damages arising from entering into or carrying out, in any respect, the terms of this agreement or any modification thereof, shall be solely the liability of the *City* and that to the extent permitted by law, the *City* hereby agrees to save hold harmless and indemnify from loss the State, any of its departments, agencies, officers or employees from any and all cost and/or damage incurred by any of the above and from any other damage to any person or property whatsoever, which is caused by any activity, condition, or event arising out of the performance or nonperformance of any provisions of this Agreement by the State, any of its departments, agencies, officers and employees, the *City*, any of its agents, officers and employees, or any of its independent contractors. Costs incurred by the State, any of its departments, agencies, officers or employees shall include in the event of any action, court costs, and expenses of litigation or reasonable attorney's fees.
2. That all work done shall be at the sole cost and expense of the Licensee, and shall be done at such time and in such manner as to be least inconvenient to the traveling public, and as directed by the agent of the Licensor. Work must be finished in the time specified on permit.
3. That when the proposed work is completed the Licensee shall repair the roadbed and replace the surfacing material thereon and will leave the said road in as good a condition as it is now, so far as the road is affected by the Licensee.
4. If the subject of the permit or license fails to pass final inspection, the Licensee will remove or replace the same within such time as specified by written notice from the Licensor; or if at any time hereafter, any material used by the Licensee is replacing or reconstructing any part of said highway proves defective, the Licensee will replace the same with the kind and quality of material which the Licensor shall specify.
5. That if the title and possession of any property placed upon the right of way by the Licensee remains in said Licensee, the Licensee shall and will promptly perform all necessary repair work upon written notice from the Licensor, and will not permit or allow any condition to exist which would be a hazard or source of danger to the traveling public.
6. That if at anytime hereafter the right of way, or any portion thereof, occupied and used by the Licensee may be needed or required by the Licensor, any permit or license granted in pursuance of this application, may be revoked by the Licensor

and all rights thereunder terminated, and upon sufficient notice, the Licensee shall and will remove all property belonging to said Licensee.

7. That in the event that the work to be done under the authority of the permit or license necessitates the creation of any hazard or source of danger to any person or vehicle using said highway, said Licensee shall and will provide and maintain at all times during the existence of said hazard, sufficient barriers, danger signals, lanterns, detours, and shall and will take such other measures of precaution as the Licensor shall direct.
8. That if the work to be undertaken is of such a nature or character that the Licensor deems it necessary that said work be laid out, or inspected by the Licensor, said Licensee will defray any and all expenses incurred by said Licensor, and herein agrees to reimburse the Licensor, and for that purpose will deposit with the Licensor a sum of money in the amount necessary to cover all cost incurred by the Licensor.
9. All construction to be as per final plans approved with permit.
10. Licensee agrees to advise the state of any change of ownership.
11. In case of the eviction of licensee by anyone owning or claiming title to or any interest in said premises, or any part thereof, State shall not be liable to licensee for any damage of any nature whatsoever, or to refund any monies paid hereunder.
12. It is the responsibility of the permittee to investigate the necessity of additional permits or approvals from local governments or agencies; such as towns, cities or counties.

Loop 101 Photo Enforcement Council Regular Agenda

October 25, 2005

Background

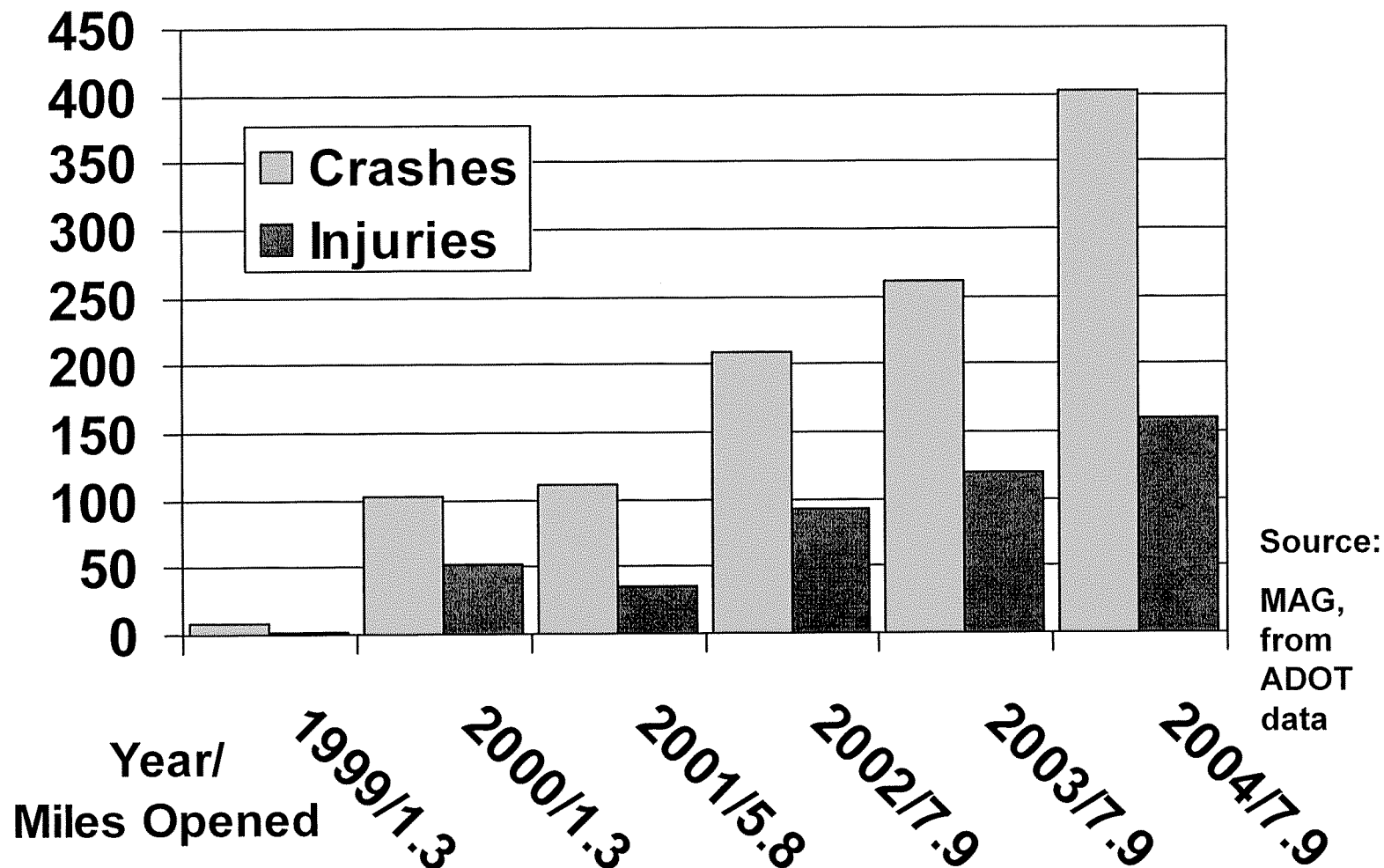
Council reviewed this item at October 11, 2005 Work Study Session

Tonight's meeting provides additional information requested, opportunity for public comment, and opportunity for action on this item

Information requested :

- Identification of a City breakeven point for the demonstration program
- Review of the financial stability of Redflex Traffic Systems, Inc.
- Updated indemnification and insurance provisions of the contract modification and Right of Way use permit

Crashes on Scottsdale segment of 101



Information: Breakeven

Staff analyzed fixed and variable costs incurred prior to receipt of citation revenue

Fixed costs:

\$ 16,566 Monthly fee for equipment installation/operation

Variable costs:

\$136,000 Public awareness campaign

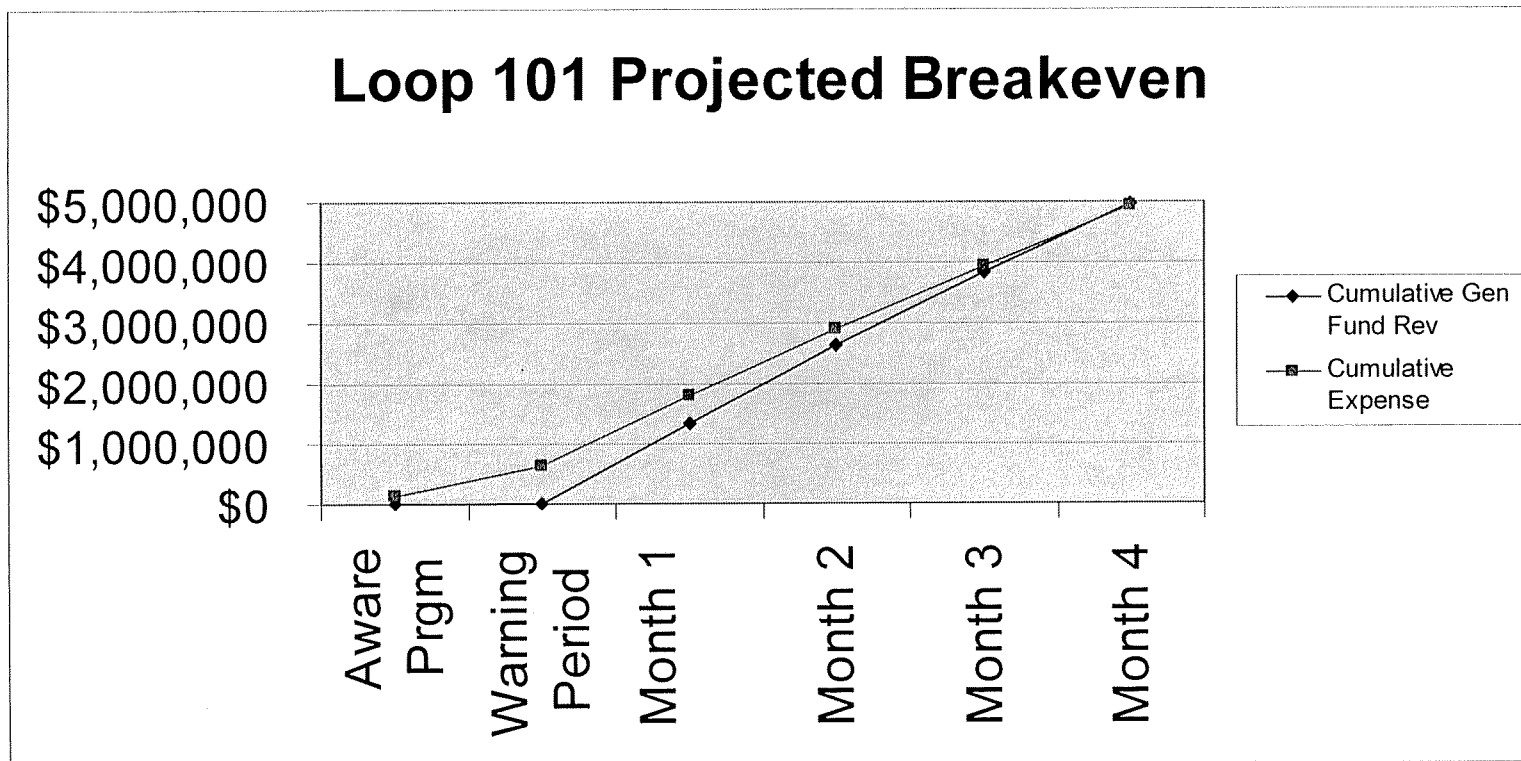
\$202,800 Estimated volume of warning notices (30 day period)

\$287,990 Initial administrative costs (PD, Court, Prosecutor)

Total estimated costs before issuance of citations

\$643, 356

Information: Breakeven



Information: Financial Review

Financial Services staff reviewed Redflex financial history/stability

Largest digital enforcement outsourcing operation globally with 64 contracts in the US

Positive current ratio and debt to equity ratio

Negative cash flows 2002/2003

Conclusions:

Growing company with distinct competitive advantages in the US for traffic systems

Will need to start making annual profits and ensure cash flows from operations continue to be positive

Will need to evaluate subsidiary holdings and market niches to assure continued competitiveness and profitability in all areas

Updated Information: Financial Review

- Updated info provided by Redflex
- Overall profitability for CYE 2003 and 2004
- Positive cash flows from operations in 2003 and 2004
- Reduced accumulated deficit resulted in positive stockholders' equity in 2004 due to net income of \$5M
- Expanded line of credit recently announced
- Weak current ratio and debt to equity ratio due to non-interest bearing payable to affiliate Redflex Holdings

Information: Indemnity and Insurance

State Right of Way Use Permit defines indemnification required; State to be named additional insured for activities under this permit

Indemnification passed through to Redflex in contract modification, with extension through June 2007; Redflex accepts State indemnification language

Redflex increasing insurance coverage to \$20 million per occurrence; City and State named additional insured

Clarification: Financial

Program is self-funding, designed to be revenue neutral

Budget authorization for FY 2005/06 for up to \$10 million in pass-thru revenues and expenditures; dependent upon citation volumes

Up front costs of program to be reimbursed from citation revenue

If no speed violations, no revenue; no \$10 million available for other uses without citations